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CHARLES ELMORE

Supreme Court of the United States.

OCTOBER TERM, 1932.

No. 57.

GENERAL ELECTRIC COMPANY AND
CARBOLOY COMPANY, INC.,

Petitioners,

v.

THE MARVEL RARE METALS COMPANY,
THE OHIO INSTRUMENT MANUFACTURING COMPANY,
CHARLES L. GEBAUER AND C. F. WILLIAM BATES,

Respondents.

BRIEF FOR PETITIONERS ON WRIT OF CERTIORARI.

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BRIEF FOR PETITIONERS ON WRIT OF CERTIORARI.

The case is before this Court on writ of certiorari to the United States Circuit Court of Appeals for the Sixth Circuit granted May 31, 1932.

The Opinions of the Courts Below.

The District Court for the Northern District of Ohio (Judge Paul Jones) wrote no opinion in granting petitioner's[1] motion to dismiss respondents'[2] counterclaim. The order entered is printed at R. 15 and 16.

[1] Petitioners were plaintiffs in the District Court and are hereinafter referred to as plaintiffs.

[2] Respondents were defendants in the District Court and are hereinafter referred to as defendants.

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[1] Petitioners were plaintiffs in the District Court and are hereinafter referred to as plaintiffs.

[2] Respondents were defendants in the District Court and are hereinafter referred to as defendants.

The first opinion of the Circuit Court of Appeals for the Sixth Circuit, filed on March 11, 1932, is reported at 56 F. (2d) 823, and is printed at R. 38.

The second opinion of the Circuit Court of Appeals for the Sixth Circuit, filed on April 14, 1932, has not yet been reported but is printed at R. 46.

Statement of the Case.

General Electric Company and Carboloy Company, Inc.,[1] both New York corporations with their principal offices in the State of New York, filed their bill of complaint on May 22, 1931, in the United States District Court for the Northern District of Ohio, Eastern Division, against the respondents,[2] two Ohio corporations having regular and established places of business at Cleveland, Ohio, and two individuals, residents of Cleveland (R. 1). The bill charges infringement of patent rights of the plaintiffs, and asks an injunction and an accounting (R. 2-5).

The defendants filed their joint answer setting up the defenses usual in patent suits (R. 6-9) and asserting a counterclaim against the plaintiffs based on a different patent issued to one of the defendants (R. 10-13). The counterclaim asked for an injunction against infringement of this patent and for an accounting (R. 12, 13), but no motion was ever made by the defendants for injunction *pendente lite*.

The plaintiffs moved to dismiss the counterclaim on the ground, among others, that the District Court had no jurisdiction thereof (R. 14). The counterclaim contained no allegation that the plaintiffs were inhabitants of the Northern District of Ohio, or that the plaintiffs had committed acts of alleged infringement and had regular and established places of business in the Northern District of Ohio (R. 10-13). While that motion was pending defendants moved for leave

[1] Hereinafter referred to as plaintiffs.

[2] Hereinafter referred to as defendants.

to amend their counterclaim, but without adding any allegations touching the jurisdictional question (R. 14, 15). The District Court permitted the amendment and dismissed the counterclaim (R. 15, 16).

Within thirty days defendants took an appeal to the Circuit Court of Appeals for the Sixth Circuit from the order dismissing their counterclaim (R. 32-33), purporting to do so under the provisions of Title 28, U. S. Code, Sec. 227 relating to appeals from interlocutory orders.

Thereupon plaintiffs moved in the Circuit Court of Appeals to dismiss the appeal on the ground that the order in question was not appealable until after the entry of final decree (R. 35, 36). That court took the motion under advisement on briefs, without oral argument (R. 37), and on March 11, 1932, handed down an opinion (R. 38) and entered a decree (R. 37) denying the motion to dismiss the appeal, and summarily reversing the order appealed from without giving plaintiffs an opportunity to submit briefs or present considered oral argument on the merits.

Plaintiffs presented a petition for rehearing (R. 39-45). The Sixth Circuit Court of Appeals filed the memorandum and entered the order of April 14, 1932 (R. 46, 47) denying the petition for rehearing and setting forth its reasons for summarily reversing the order appealed from.

Specification of Errors.

1. The Circuit Court of Appeals for the Sixth Circuit erred in denying plaintiffs' motion to dismiss defendants' appeal from the order of the District Court dismissing defendants' counterclaim.

2. The Circuit Court of Appeals for the Sixth Circuit erred in summarily reversing the order of the District Court appealed from, and reinstating defendants' counterclaim.

Summary of Argument.

POINT I. Title 28 U. S. Code, Section 227, relating to appeals from interlocutory orders or decrees granting or refusing injunctions, etc. does not authorize appeals from all interlocutory orders and decrees, but only from specified classes of such. An order granting plaintiffs' motion to dismiss a counterclaim for lack of necessary jurisdictional allegations is not within any of the specified classes. Hence such an order is not appealable until after final decree and the Circuit Court of Appeals for the Sixth Circuit should have dismissed the appeal taken by the defendants. Its refusal to do so is in conflict with decisions of the Circuit Court of Appeals for the Second Circuit and other circuits.

POINT II. Title 28 U. S. Code, Section 109 prescribes the districts in which suit for patent infringement may be maintained against a defendant. A counterclaim for patent infringement, asserted under Equity Rule 30, cannot be maintained over plaintiffs' objection if it does not contain allegations which show that the plaintiff (counterclaim defendant) is subject to the jurisdiction of the District Court in which the counterclaim is asserted. To construe Equity Rule 30 more broadly is to make it repugnant to the statute. There is widespread conflict of decision on this point.

POINT I.

Title 28, U. S. Code, Section 227, does not authorize an interlocutory appeal from an order dismissing a counterclaim.

Title 28, U. S. Code, § 227, under which the defendants purported to take an interlocutory appeal in the instant case and under which the Circuit Court of Appeals for the Sixth Circuit assumed jurisdiction to hear that appeal, provides as follows:

> "§ 227. *Appeals in proceedings for injunctions and receivers.* Where, upon a hearing in a district court, or by a judge thereof in vacation, an injunction is granted, continued, modified, refused, or dissolved by an interlocutory order or decree, or an application to dissolve or modify an injunction is refused, * * * an appeal may be taken from such interlocutory order or decree to the circuit court of appeals; * * * The appeal to the circuit court of appeals must be applied for within thirty days from the entry of such order or decree, and shall take precedence in the appellate court; * * *."

Under the provisions of Judicial Code, § 129, as they existed in 1924, which were identical with Title 28 U. S. Code, § 227, except for certain phrases not here material, the Circuit Court of Appeals for the Second Circuit ruled that an order dismissing a counterclaim was not appealable until after final decree. *Radio Corporation of America* v. *J. H. Bunnell & Co., Inc.*, 298 Fed. 62:

> "The orders appealed from were obviously not final, and therefore no appeal lies, under Judicial Code, § 128 (Comp. St. § 1120). This general principle is undoubted. *Rexford* v. *Brunswick, etc., Co.*, 228 U. S. 339, at page 346, 33 Sup. Ct. 515, 57 L. Ed. 864. That an appeal will not lie from an order or decree merely dismissing a cross-bill was explicitly held in *Emery* v. *Central Trust, etc., Co.*, 204 Fed. 965, 123 C. C. A. 287.

> Nor could any appeal be taken under Judicial Code, § 129 (Comp. St. § 1121). That well-known section does grant the right of appeal when in a District Court 'an injunction shall be * * * refused * * *'; but such appeal must be taken from an 'interlocutory order or decree * * * refusing * * * an injunction. * * *' No order was ever entered herein refusing an injunction, if for no other reason than that no injunction was ever formally asked for.
>
> This section of the Judicial Code cannot be invoked to sustain the right of appeal, where no question of the right to injunctive relief is raised, or even suggested."

This Court denied a petition for a writ of certiorari to review the decision of the Second Circuit, 269 U. S. 565.

The jurisdiction of the Circuit Courts of Appeals is purely statutory. It does not rest on any question of convenience or inconvenience to the appellate court or to the district court or to the parties litigant.

Prior to the act of March 3, 1891 (26 Stat. 828) the Circuit Courts of Appeals had no jurisdiction to review any interlocutory order or decree of the federal courts of original jurisdiction except as such interlocutory order might be brought up on appeal from final decree. *Winters* v. *Ethell*, 132 U. S. 207. By that act a novelty was introduced into federal procedure in authorizing appeals from interlocutory orders or decrees *granting* or *continuing* an injunction. As to the scope of the review thus authorized, this court said in *Ex Parte National Enameling Co.*, 201 U. S. 156, at 161, 162:

> "It will be noticed that the appeal is allowed from an interlocutory order or decree granting or continuing an injunction, that it must be taken within thirty days, that it is given precedence in the appellate court, that the other proceedings in the lower court are not to be stayed, and that the lower court may require an additional bond. Obviously that which is contemplated is a review of the interlocutory order, and of that only. It was not intended that the cause as a whole should be transferred to the appellate court prior to the final

> decree. The case, except for the hearing on the appeal from the interlocutory order, is to proceed in the lower court as though no such appeal had been taken, unless otherwise specially ordered. It may be true, as alleged by petitioners, that 'it is of the utmost importance to all of the parties in said cause that there shall be the speediest possible adjudication by the United States Circuit Court of Appeals as to the validity of all of the claims of the aforesaid letters patent which are the subject matter thereof.' But it was not intended by this section to give to patent or other cases in which interlocutory decrees or orders were made any precedence. It is generally true that it is of importance to litigants that their cases be disposed of promptly, but other cases have the same right to early hearing. And the purpose of Congress in this legislation was that there be an immediate review of the interlocutory proceedings and not an advancement generally over other litigation."

The recent discussion by this Court of the provisions relating to interlocutory appeals in the case of *Ensten* v. *Simon, Ascher & Company, Incorporated,* 282 U. S. 445, is in harmony with the position urged in this brief but does not decide the particular point here presented.

The Circuit Court of Appeals for the Eighth Circuit in *Pierce* v. *National Bank of Commerce,* 282 Fed. 100, and the Circuit Court of Appeals for the Seventh Circuit in *Magnetic Manufacturing Co.* v. *Dings Magnetic Separator Co.,* 37 F. (2d) 709, have refused to entertain appeals where the order in question did not directly grant or refuse an injunction.

In the *Pierce* case the court distinguished sharply between that part of an interlocutory decree which denied an application for a temporary injunction and that part of the same order which struck out certain parts of the defendant's cross-complaint. It declined to review on appeal that part which struck out a portion of the cross-complaint; and an examination of the record on appeal (*Pierce* v. *National Bank of Commerce,* 282 Fed. 100) shows that the entire cross-bill

was stricken out by the District Court for insufficiency. The cross-bill prayed an accounting, a marshalling of securities, and an injunction restraining the plaintiff from attempting to enforce payment of a judgment recovered against the defendant in another suit, and from prosecuting a suit against the surety on a supersedeas bond, and from making any application for cancellation of the license of the surety company to do business in Missouri.

In the *Magnetic Manufacturing Co.* case in the Seventh Circuit, the District Court had denied a petition for rehearing and for leave to file a supplemental answer on the basis of newly discovered evidence. The defendant, who was already under injunction, attempted to appeal under Title 28 U. S. Code § 227. The Seventh Circuit Court of Appeals dismissed the appeal, saying, 37 F. (2d) 709 at 710:

> "What relief might have been considered, if the rehearing had been granted, it is unnecessary to determine, because, until a rehearing was granted, no other question could have been considered, and no other question was considered. That appellant did not expect the court to do more, on its petition for rehearing, than to grant the rehearing, is undeniable, because the first prayer of the petition is that appellant be permitted to file a supplemental answer, therewith submitted, to the original complaint. The submitted answer pleaded the matters set up in the petition for a rehearing."

Since the writ of certiorari was granted in the instant case the Circuit Court of Appeals for the Seventh Circuit has held in *King Mechanism & Engineering Co.* v. *Western Wheeled Scraper Co.*, 59 F. (2d) 546, that an order transferring to the law side of the court a bill in equity for patent infringement praying injunctive relief, is in effect the denial of an injunction, and that such order is appealable under Title 28 U. S. Code, § 227.

The Circuit Court of Appeals for the Sixth Circuit has reached a result opposite to the decisions in the Second, Seventh and Eighth Circuits. In *Naivette, Inc.* v. *The*

Philad Co., 54 F. (2d) 623, the Sixth Circuit Court of Appeals said:

> "It is conceded that the order striking out the counterclaim was not final, but was interlocutory, and that the appeal therefore can rest only upon section 129 of the Judicial Code, being section 227 of title 28, USCA. The question is whether, in effect, an interlocutory injunction was refused. No motion for such injunction had been made by defendant; but, as the greater includes the less, striking out the counterclaim amounted to the advance denial of any such motion. Whether such action should be considered as a refusal to grant an interlocutory injunction, is not entirely clear, upon the language of the section. In a somewhat similar case in the Circuit Court of Appeals of the Second Circuit (*Radio Corp.* v. *Bunnell & Co.*, 298 F. 62), the right of appeal was denied; but in that case the prayer for injunction under the counterclaim seems to have been rather incidental, and the dismissal of the counterclaim was not therefore characteristically a refusal of the injunction; while here the only equitable relief sought by the counterclaim was the injunction, and the dismissal of the counterclaim was, in ultimate effect, nothing but a denial of the injunction."

In the instant case the Sixth Circuit Court of Appeals has followed its decision in *Naivette* v. *Philad:*

> "In No. 6074 the situation is therefore identical with that confronting the court in *Naivette, Inc.* v. *The Philad Co.*, 54 F. (2d) 623, and no sound reason has been presented why the court should not follow the same course as was there pursued. The motion to dismiss is therefore denied, * * *" (R. 38).

The attempt of the Sixth Circuit to distinguish *Radio Corporation* v. *Bunnell* on the basis of the "incidental" nature of the prayer for injunction is wholly specious. The Second Circuit has pointed out the substantial identity of the two cases in its subsequent opinion in *Allied Metal*

Stamping Co. v. *Standard Electric Equipment Corporation,* 55 F. (2d) 221:

> "The case is ruled by our decision in *Radio Corporation of America* v. *J. H. Bunnell & Co.,* 298 F. 62. Since then the Circuit Court of Appeals for the Sixth Circuit has decided the other way in a substantially similar case, *Naivette, Inc.* v. *Philad Co.* (C. C. A.) 54 F. (2d) 623, May 15, 1931. The question is whether the dismissal for jurisdictional reasons of a counterclaim praying an injunction is a refusal to grant an interlocutory injunction. Jud. Code § 129 (section 227, tit. 28, U. S. Code, 28 USCA § 227). Whatever we might think of this as a new matter, it does not seem to us that the question is so clear as to require us to overrule our former decision."

Though the *Allied Metal Stamping Co.* case and the *Radio Corporation* case were called to its attention in briefs (cf. Tr. p. 45), the Circuit Court of Appeals for the Sixth Circuit refrained from mentioning either in its opinions in the instant case.

The Sixth Circuit in *Naivette* v. *Philad,* 54 F. (2d) 623 has cited *Kelsey Wheel Co.* v. *Universal Rim Company,* 296 Fed. 616, 620, as an analogous case. The analogy is false, however, in that the *Kelsey* case involved an appeal in a patent case from an interlocutory decree made after final hearing which sustained some claims of a patent and granted an interlocutory injunction thereon and held other claims of the same patent invalid and dismissed the bill as to them. In that case the plaintiff had sought at final hearing to have an injunction issued against infringement of all of the claims in suit; and the District Court had granted the injunction as to some claims and refused it as to others. Both aspects of the decree were therefore fairly within the scope of § 129 of the Judicial Code and the Circuit Court of Appeals had jurisdiction to review both, provided the parties took their appeals within the thirty-day period.

Section 129 of the Judicial Code or Section 227 of Title 28, U. S. Code, as it stands at the present time, is bilateral: The party applying for an injunction has an appeal if, after a hearing on the merits, his application is denied; the opposite party has an appeal if the application is granted.

The granting of a temporary restraining order, however, is not appealable under § 129. *Peck* v. *Carter,* 223 Fed. 638 (9th C. C. A.); *Schainmann* v. *Brainard,* 8 F. (2d) 11 (9th C. C. A.).

Equity Rule 73 and 28 U. S. C. § 381 are entitled "Preliminary Injunctions and Temporary Restraining Orders". Both provide that no preliminary injunction shall be issued without notice to the opposite party. Both provide that temporary restraining orders may be granted without notice to the opposite party under certain conditions, the gist of which is that the party placed under restraint shall have the right to a speedy hearing and the matter of the issuance of a preliminary injunction shall be set down for a hearing at the earliest possible time. Other sections of the same statute recognize and differentiate injunctions and temporary restraining orders, *e. g.*, 28 U. S. Code, §§ 378, 380, 382 and 383. But § 227 makes no reference to a temporary restraining order. The reason is obvious. Temporary restraining orders should be disposed of promptly by the District Courts and should be followed either by the granting or refusal of preliminary injunctions. In such a case the defeated party has an interlocutory appeal under § 227.

When the temporary restraining order—injunctive in its nature, but never more than a step toward the granting of a preliminary injunction—is not appealable, how can there be an appeal where no step at all has been taken?

In the instant case no application for a preliminary injunction was ever made by the defendants. No notice was ever given to the plaintiffs, no hearing was ever had on any application for injunction. In short, nothing has been done which would bring the order appealed from within the purview of § 227.

The proceedings which led up to the order in question were plaintiffs' motion to dismiss the counterclaim, and defendants' motion to amend the counterclaim. Both motions were granted. The granting of the motion to dismiss the counterclaim was neither the refusal nor the granting of an injunction; and if the decision had been the other way it likewise would not have been the granting or refusal of an injunction.

It is, therefore, respectfully submitted that the Circuit Court of Appeals for the Sixth Circuit in denying plaintiffs' motion to dismiss defendants' appeal has assumed a jurisdiction which it does not possess under the statute and its decree to that effect should be reversed.

POINT II.

A counterclaim for patent infringement under Equity Rule 30 cannot be maintained over plaintiff's proper objection to the jurisdiction of the District Court in which the counterclaim is asserted.

The effect of Equity Rule 30 on the statute relating to jurisdiction of the district courts in patent suits, has been diversely decided in many cases, but has not been passed upon by this Court in any case where the plaintiff's objection to the jurisdiction of the particular district court in which the counterclaim was asserted has been preserved.

In the instant case the Sixth Circuit Court of Appeals reversed the District Court summarily on plaintiffs' motion to dismiss defendants' appeal (R. 41), without receiving briefs on the merits and hearing argument in open court as provided for in its own rules (R. 43-47, 53, 54). It did so on the authority of a case in which the question was not and could not have been presented. It apparently gave scant considera-

tion to the fact that the interpretation which it placed upon Equity Rule 30 brings that rule into contravention with existing provisions of statute (R. 53).

Title 28, U. S. Code, § 109 (formerly Judicial Code, § 48), provides:

> "§ 109. *Patent cases.* In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business."

Equity Rule 30, so far as here material, provides:

> "The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims."

No rule of court is competent to destroy the rights of a defendant under a statute. As this Court said in *Washington-Southern Co.* v. *Baltimore Co.*, 263 U. S. 629, at 635:

> "But no rule of court can enlarge or restrict jurisdiction. Nor can a rule abrogate or modify the substantive law. This is true, whether the court to which the rules apply be one of law, of equity or of admiralty. It is true of rules of practice prescribed by this Court for inferior tribunals, as it is of those rules which lower courts make for their own guidance under authority conferred."

The Federal Equity Rules were promulgated by this Court under the authority conferred by §§ 913 and 917 of the Revised Statutes (Title 28, U. S. Code, §§ 723, 730) and the rule-making power there conferred was expressly limited

to matters "not inconsistent with any law of the United States".

One school of judicial decision, holding that a counterclaim cannot be maintained over proper objection to the jurisdiction, is exemplified in the opinion of Judge Westenhaver in *Durabilt Steel Locker Co.* v. *Berger Manufacturing Co.*, 21 F. (2d) 139, and in *Parker Pen Co.* v. *Rex Mfg. Co.*, 11 F. (2d) 533. These cases hold that the bringing of a suit for patent infringement in a particular district is not a consent by the plaintiff to be sued in that district for infringement of any other patent owned by the defendant, and that Equity Rule 30 cannot properly be so broadly construed as to deprive a plaintiff of the protection of the statute.

The other school of judicial decision is exemplified in *Krentler-Arnold Hinge Last Co.* v. *Leman*, 13 F. (2d) 796, at 801, and in *United States Expansion Bolt Co.* v. *Kroncke*, 234 Fed. 860, at 870. These cases, by dicta at least, support the proposition that a plaintiff by the mere act of bringing suit for patent infringement in a particular district consents to the litigation therein of any claim for patent infringement which the defendant may have against him.

An extensive list of the decisions *pro* and *con* is given in a note to Judge Brown's opinion in *Parker Pen Co.* v. *Rex Mfg. Co.*, 11 F. (2d) 533 at 536. See also *Ohio Brass Co.* v. *Hartman Electrical Mfg. Co.*, 243 Fed. 629 at 630.

As perhaps the most recent instances of this conflict, aside from the instant case, we cite:

Allied Metal Stamping Co. Inc. v. *Standard Electric Equipment Corporation*, 53 F. (2d) 646 (E. D. N. Y.); appeal dismissed 55 F. (2d) 221. That case dismissed such a counterclaim.

Rhodes-Hochriem Manufacturing Co. v. *International Ticket Scale Corporation*, 57 F. (2d) 713 (D. C. Del.). That case denied a motion to dismiss such a counterclaim on this ground, though the motion was granted on another and entirely different ground.

Dow Pump etc. Co. v. *Wilson-Snyder Mfg. Corporation*,

59 F. (2d) 828 (D. C. Pa.). That case dismissed such a counterclaim.

The instant case presents the question squarely, for the plaintiffs, upon the filing of the answer and counterclaim, moved to dismiss the counterclaim on the jurisdictional ground and the motion was granted.

Without going into the question of the consistency of Equity Rule 30 and Title 28 U. S. Code, § 109, this court has said in *Leman* v. *Krentler-Arnold Hinge Last Co.*, 284 U. S. 448, at 451:

> "When the respondent brought the suit in the Federal District Court for the District of Massachusetts, it submitted itself to the jurisdiction of the court with respect to all the issues embraced in the suit, including those pertaining to the counterclaim of the defendants, petitioners here. Equity Rule 30. See Langdell, Eq. Pl. chap. 5, § 119; *Frank L. Young Co.* v. *McNeal-Edwards Co.*, 283 U. S. 398, 400, 75 L. Ed. 1140, 1141, 51 S. Ct. 538."

But the question here presented could not have been presented in that case. The plaintiff there waived its objection (as of course it could do, *Panama R. R. Co.* v. *Johnson*, 264 U. S. 375, 385) to the jurisdiction of the District Court to entertain a counterclaim against it for patent infringement by filing an answer to the counterclaim, going to trial and decision on the merits of the counterclaim, and failing to take any action seeking to raise the question of jurisdiction until some seven or eight months after the trial. See *Krentler-Arnold Hinge Last Co.* v. *Leman*, 13 F. (2d) 796, at 801, 802. The only questions raised in the petition for certiorari filed by Leman were whether the court had power to award profits in a contempt proceeding, and whether it was necessary for the moving party to prove the loss of a reasonable royalty to support an award on that basis. No cross petition for certiorari was filed by Krentler-Arnold Hinge Last Company; and no question was raised in its opposing brief as to the jurisdiction of the District Court to entertain the counterclaim in the original suit, that objec-

tion having been lost by the filing of an answer to the counterclaim and proceeding to trial and decision on its merits.

The instant case is devoid of any suggestion of waiver on the part of the plaintiffs of their statutory right to insist that defendant's charge of infringement against them be litigated in the proper district.

Under the federal statute a person charged with infringement of a patent is entitled to have that charge tried either in the district of which he is an inhabitant or the district in which he has committed acts of infringement and has a regular and established place of business. The reasons leading up to the enactment of the statute (Act of March 3, 1897; 29 Stat. 695), and the intention of Congress in enacting it, are well set forth in *Westinghouse Air-Brake Co.* v. *Great Northern Ry. Co.*, 88 Fed. 258 (2d C. C. A.) and *Bowers* v. *Atlantic G. & P. Co.*, 104 Fed. 887 (S. D. N. Y.). Such right, when asserted by a defendant, has been uniformly upheld. See, for example, *Tyler Co.* v. *Ludlow-Saylor Wire Co.*, 236 U. S. 723. A defendant may waive this right if he chooses and consent to be sued in any federal court; but if he objects to the jurisdiction, the courts protect him in his right under the statute.

Equity Rule 30 evidences no intent to deprive any person of any right secured by statute. Its true intent, we submit, is to permit the disposition in one suit of all matters in controversy between the parties which might properly be adjudicated in suits in equity between them in the district in which the original suit was brought. The rule permits (but does not require) the defendant, without cross-bill, to set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and then goes on to provide that such set-off or counterclaim shall have the same effect as a cross-suit.

Prior to the promulgation of the Equity Rules in November, 1912, a cross-bill was well recognized and its limitations clearly defined. If the subject-matter attempted to be set up in a cross-bill was distinct from the subject-matter of the original bill, it was not in fact a cross-bill, and had to stand

or fall as an independent original bill. *Rubber Co.* v. *Goodyear,* 9 Wall. 807; *Cross* v. *De Valle,* 1 Wall. 1. The headnote to the case last cited reads:

> "A 'cross-bill' being an auxiliary bill simply, must be a bill touching matters in question in the original bill. If its purpose be different from that of the original bill, it is not a cross-bill even although the matters presented in it have a connection with the same general subject. As an original bill it will not attach to the controversy unless it be filed under such circumstances of citizenship, &c., as give jurisdiction to original bills; herein differing from a cross-bill, which sometimes may so attach."

In *Stonemetz Printers' Machinery Co.* v. *Brown Folding Mach. Co.,* 46 Fed. 851, the original bill alleged patent interference and sought relief under R. S. §4918, and also alleged patent infringement by the defendant. The defendant answered and subsequently filed a cross-bill alleging infringement by the plaintiff of defendant's patents. On motion the so-called cross-bill was stricken out for the reason that the matters alleged in it were not essential to the complete disposition of plaintiff's case or of defendant's rights in relation to the plaintiff's causes of action. The court said:

> "Defendant's counsel has argued that, as plaintiff is a foreign corporation, and defendant will be compelled to follow it into another jurisdiction in order to file a bill for infringement, and as plaintiff has come into this court with a matter relating to defendant's patent, that circumstance should be considered, and relief given defendant in the court of plaintiff's own choice. That question was considered in the case of *Rowan* v. *Manufacturing Co., supra,* [33 Conn. 1] but was held not to authorize the cross-bill based on a counter-claim by defendant."

Equity Rule 30 broadened the scope of causes of action which could be disposed of in one litigation beyond that which was permissible under the prior practice of original and cross-bills. The virtual consolidation of several suits in equity between the same parties in the same district, and the dis-

position of all of them by one final decree is now permissible under Equity Rule 30 where it was not generally permissible before the promulgation of the rule. But the consolidation of several suits between the same parties, where one district court has jurisdiction of one suit and another of another suit, is a matter not merely of procedure but of statutory jurisdiction.

In *Washington Southern Co.* v. *Baltimore Co.*, 263 U. S. 629, this Court had before it a question certified to it by the Circuit Court of Appeals as to the interpretation of Admiralty Rule 50. Though it was insisted that the terms of Rule 50 were so clear as to leave no room for doubt, this Court said:

> "But to ascertain the true meaning of the rule, the operation and effect of the construction urged must be considered. Under that given, a libelant may be automatically barred from prosecuting his suit, merely because he is unable or unwilling to give security to satisfy the claim made in the cross-libel. For, although no security is asked of the original respondent, he may, by voluntarily giving security, effect a stay of all proceedings against himself, 'unless the court, for cause shown', directs otherwise. Thus construed, Rule 50 would abrogate the right to proceed in admiralty, and substitute therefor either a conditional right to prosecute the suit, provided libelant gives security to satisfy the counterclaim, or a permission to do so, provided the court, in its discretion, for cause shown, grants leave. * * *
>
> The construction given to Rule 50 by the District Court would, by imposing an impossible or onerous condition, deprive many litigants of the right to prosecute their claims in admiralty. Among others, it would, if applied generally, deny this right to seamen, upon whom, regardless of their means or nationality, Congress, shortly before the adoption of Rule 50, had conferred the right to prosecute their claims, in both trial and appellate courts, without giving security even for costs. It would likewise deny to poor citizens of the United States the right to proceed in admiralty, which Congress had by successive acts sought to ensure, in order to relieve litigants from dependence upon the judicial discretion theretofore incident to leave to sue in *forma pauperis*.

> * * * Obviously, it was not the intention of this Court, in adopting the rule, to disregard the right of seamen, of poor persons or of others to prosecute suits in admiralty. The function of rules is to regulate the practice of the court and to facilitate the transaction of its business. * * * But no rule of court can enlarge or restrict jurisdiction. Nor can a rule abrogate or modify the substantive law. This is true, whether the court to which the rules apply be one of law, of equity or of admiralty. It is true of rules of practice prescribed by this Court for inferior tribunals, as it is of those rules which lower courts make for their own guidance under authority conferred."

By its answer to the question certified to it, this Court restricted Admiralty Rule 50 so that its operation could not impair the statutory rights of libelants to prosecute their causes in admiralty. So, in the instant case it is submitted that this Court should declare the true meaning of Equity Rule 30 in such a way as not to impair the statutory right of a person charged with infringement of a patent to insist that such charge against him be litigated in the District Court of the district in which he is an inhabitant or in which he has committed acts of infringement and maintains a regular and established place of business.

The first opinion of the Circuit Court of Appeals for the Sixth Circuit (R. 38; 56 F. (2d) 823, 824) misdescribed the plaintiff's motion in the District Court as one to dismiss the counterclaim "as not germane to the cause of action set forth in the bill of complaint". As a matter of record the ground of the motion was "that this court has no jurisdiction thereof" (R. 14). The Circuit Court of Appeals then went on to say (R. 38):

> "In No. 6074 the situation is therefore identical with that confronting the court in *Naivette, Inc.* v. *The Philad Co.*, 54 F. (2d) 623, and no sound reason has been presented why the court should not follow the same course as was there pursued. The motion to dismiss is therefore denied, the order of the District Court dismissing the counterclaim is reversed, and said cause is remanded

to permit all issues to be disposed of in the original proceeding. Compare, *Leman, et al.* v. *Krentler-Arnold Hinge Last Co.,* U. S. (Decided Feb. 15, 1932)."

The order of reversal was made summarily on plaintiff's motion to dismiss the appeal (R. 37) and without submission of briefs or considered argument in open court, as provided by the rules of the Circuit Court of Appeals for the Sixth Circuit on the merits of the appeal.

The Sixth Circuit's opinion in *Naivette* v. *Philad,* 54 F. (2d) 623, relates only to the appealability of an order dismissing a counterclaim before final decree. Another separate and distinct opinion in the same case reported at 54 F. (2d) 624 deals with the nature of counterclaims permissible under Equity Rule 30. But that case does not present and on its record could not have presented the question as to the maintainability of a counterclaim over an objection to the jurisdiction which the record in the instant case presents. In that case both plaintiffs were Ohio corporations having their principal places of business at Cleveland, Ohio, and they brought their suit in the District Court for the Northern District of Ohio, Eastern Division, in which Cleveland is situated. The defendant asserted a counterclaim asking for injunctive relief. The plaintiffs did not and could not object to the Northern District of Ohio as the proper district, for that was the very district prescribed by Title 28 U. S. Code, §§ 41, 109, 112, in which any independent suit in equity could be maintained against them. The sole ground of objection made was that the cause of action set forth in the counterclaim was not germane to the cause of action set forth in the plaintiff's bill of complaint.

In the instant case a petition for rehearing was filed with the Sixth Circuit Court of Appeals, which thereupon handed down its second opinion, not yet reported but printed at R. 46 and 47. This opinion lines the Sixth Circuit Court of Appeals up with that school of judicial decision which holds that the act of a plaintiff in the filing of his original bill in a

particular district waives all objection which he might otherwise have to being sued in that particular district by the defendant on any equitable cause of action. The Supreme Court cases cited in this second opinion are:

Leman v. *Krentler-Arnold Hinge Last Co.*, 284 U. S. 448, 451;
Young Co. v. *McNeal Edwards*, 283 U. S. 398, 400;
Chicago & N. W. Ry. Co. v. *Lindell*, 281 U. S. 14, 17.

In the *Leman* case, as pointed out above, there was an actual waiver of plaintiff's objection to the jurisdiction by the filing of an answer to the defendant's counterclaim, proceeding to trial and decision on the merits of the counterclaim and waiting several months after decision before raising the jurisdictional objection. Furthermore, there is no discussion in the opinion of this Court in the *Leman* case of the conflict between Equity Rule 30, if it be construed as the Sixth Circuit Court of Appeals has construed it, and Title 28 U. S. Code, § 109. It is hardly to be presumed that this Court has decided the question of conflict in a case where the record did not present the question.

Frank L. Young Co. v. *McNeal Edwards Co.*, 283 U. S. 398, cited by the Sixth Circuit Court of Appeals, and by this Court in *Leman* v. *Krentler-Arnold*, upheld the constitutionality of a Massachusetts statute which provided that a non-inhabitant of the commonwealth who brought an action in the state should be held to answer any action brought against him by the defendant if the demands were of such a nature that the judgment in the one case might be set off against the judgment in the other, and authorized service of process on the attorney of record for the plaintiff in the original action. Under that statute and the Conformity Act this Court held that the United States District Court in Massachusetts had acquired jurisdiction over a Virginia corporation which had brought an action at law in Massachusetts and thereby subjected itself to the cross action at law, process in the latter action having been served on the attorneys of record for the Virginia corporation in its original action. Though this

Court referred to the policy of the Massachusetts statute as embodied in Equity Rule 30, we point out that the actions were at law, and that jurisdiction over the Virginia corporation depended, not upon a rule of court, but upon a Massachusetts statute. In the instant case no federal or state statute gave jurisdiction in equity to the District Court for the Northern District of Ohio with respect to defendants' counterclaim. However desirable the policy of the Massachusetts statute may be for application to suits in equity in the federal courts, the establishment of that policy is a matter for congressional action and cannot lawfully be accomplished by a court rule.

In *Chicago & N. W. Ry. Co.* v. *Lindell,* 281 U. S. 14, the question was whether the Hepburn Act debarred the assertion in a suit to recover freight charges of a counterclaim for damages suffered by the shipper. As clearly pointed out by this Court, the counterclaim was maintainable by virtue of the California Code of Civil Procedure, unless the Hepburn Act stood in the way. Here again, as in *Young* v. *McNeal Edwards,* the jurisdiction to entertain the counterclaim was based on a state statute and not upon a rule of court conflicting with a legislative enactment. Furthermore, the reference to a "pernicious" doctrine relates to a statement quoted from Mr. Justice Miller's opinion in *Partridge* v. *Insurance Company,* 15 Wall. 573, 579, a case where the *laws* of the state allowed counterclaims to be interposed in the same suit.

The distinction is clear. It is competent for Congress, within the constitutional limitations, to legalize the maintenance of counterclaims for any subject-matter in any suit; but so long as Title 28 U. S. Code § 109 stands unchanged by Congress it is beyond the rule-making power to deprive a person of his right to insist that a suit for patent infringement be litigated in the district prescribed by statute.

This Court in *Leman* v. *Krentler-Arnold,* 284 U. S. 448, at 451, referred to Langdell's Equity Pleading, c. 5, § 119. There would seem to be a typographical error in the citation which probably should be § 149. It is of course true, as Langdell there says, that the best defense may sometimes be an attack,

and to make an attack a defendant must resort to a cross-bill. The statutory provisions as to jurisdiction over cross-bills in England (and Langdell's Equity Pleading deals largely with English cases) have no application in the United States. Nor does Langdell go into any question of jurisdiction such as is presented in the instant case. However desirable it might seem, on purely theoretical considerations, to allow a defendant to make his attack by counterclaim, the existing provisions of statute as to jurisdiction must nevertheless be followed until they are changed by Act of Congress.

This Court has said that the purpose of the venue provisions was to prevent defendants from being compelled to answer and defend in remote districts against their will. *Panama R. R. Co.* v. *Johnson,* 264 U. S. 375, at 384. For the protection of the defendant, the plaintiff is required to bring his suit in the proper district, if the defendant is not willing to consent to a different venue. Is it not wise policy to afford to the plaintiff the same protection against counterclaims for causes of action not growing out of the original suit? The proper defense against such a counterclaim may require the plaintiff to transport to a distant district witnesses whose testimony is not needed for the prosecution of the original suit, or else to rely on the less satisfactory expedient of taking their testimony by deposition for use at the trial.

Again, when the statute, compels the plaintiff to bring his suit in the district of which the defendant is an inhabitant or where he has a regular and established place of business, how can it be said that by so doing he has consented to be sued there on any equitable cause of action which the defendant may have? Such a policy in effect discriminates against the plaintiff and in favor of the defendant.

American Mills Co. v. *American Surety Co.,* 260 U. S. 360, is quite generally cited in the decisions touching the question here in issue. That case, however, drew the distinction between counterclaims which *must* be set up because they arise out of the transaction which is the subject-matter of the suit, and counterclaims which *may* at the defendant's option be

set up. The holding was that since the defendant, by its affirmative action, had set up a counterclaim which it was not obliged to under Equity Rule 30, it had waived its previous objection to the maintenance of the original suit in equity. There is nothing in the case touching the right of the plaintiff to assert his statutory objection to the maintenance of a counterclaim in a district in which he is not suable.

By the construction of Equity Rule 30 which is here contended for, the defendant is deprived of none of his legal rights. If he has a cause of action against the plaintiff for patent infringement he is at liberty to prosecute it against the plaintiff in the district prescribed by Title 28, U. S. Code, § 109. Nor is the plaintiff deprived of any legal right.

The construction of Equity Rule 30 followed by the Sixth Circuit Court of Appeals in the instant case gives to the defendant the extra-legal right to maintain an equitable counterclaim in a district where he could not otherwise lawfully assert it over the plaintiff's objection, and deprives the plaintiff of his statutory immunity from suit except in the district prescribed by § 109. It favors the assertion by counterclaim of alleged causes of action trumped up after suit is brought, and so lacking in merit that the defendant will not incur the expense of suing the plaintiff on them if he has to go to the district prescribed by statute.

In conclusion it is submitted that the cases wherein a defendant has been permitted to maintain a counterclaim for patent infringement in a district where an independent suit cannot be maintained under the provisions of Title 28 U. S. Code §109, are cases where the plaintiff has done some affirmative act to waive his jurisdictional objection, or where the court has construed the bringing of the original suit as a consent and waiver of the jurisdictional objection far broader than any judicial construction prior to the promulgation of the equity rules. It is further submitted that Equity Rule 30 evidences no intent to widen the scope of submission to

jurisdiction by the filing of a bill in equity and that the true meaning of the rule is in harmony with the statute rather than in contravention of it.

WHEREFORE, it is respectfully submitted that the decrees of the Circuit Court of Appeals for the Sixth Circuit here under review should be reversed.

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